



DESC World Wide Energy Conference
2004

Utilities Privatization Common Errors & Omissions



Presented by Anwar Ali

Defense Energy Support Center

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Agenda

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- **Method of Privatization**
- **Proposal Volumes**
- **Common Errors & Omissions**





Method of Privatization

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- **Sell system infrastructure**
- **Acquire service contract for operations and maintenance**
- **Provide right-of-way / easement**
- **Contract may not exceed 50 years**
- **Purchase of commodity is not included**
- **Selection is based on best-value determination**
- **Long term benefit must exceed long term cost**





Types of Contracts

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- **Fixed price contract (term up to 50 years)**
- **Fixed price contract with Economic Price Adjustment**
- **Fixed price contract with Prospective Price Redetermination (Non-regulated)**
 - Prices for initial capital upgrades remain fixed throughout the contract period
 - Prices for operations and maintenance (O&M) and renewals and replacements (R&R) remain fixed for the first two years
 - Prices for O&M and R&R may be renegotiated after two years and every three years thereafter





Regulated Utilities Considerations

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- **Regulated utilities may propose tariff pricing**
- **Tariff must be fully and independently regulated**
- **Price must be set by law or regulation**





Volume I: Technical

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- **Service Interruption / Contingency Plan**
 - Address your capability to respond to outages and to Emergency, Urgent & Routine service calls
- **Quality Management Plan**
 - Identify your performance standards and O&M policies and procedures
- **Capital Upgrades and Renewal/Replacements Plan**
 - Identify the capital upgrades and renewal/replacements you intend to accomplish
- **Operational Transition Plan**
 - Show how you will provide a “seamless” transition from Government to contractor operations





Volume II: Price

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- **Schedule B-2 (Non-regulated)**
 - Indicate monthly credit for purchase price, monthly charge for recovery of purchase price, monthly operations & maintenance and renewals/replacements charge, and lump sum transition costs
- **Schedule L-1 (Regulated and non-regulated)**
 - Indicate the monthly charge for O&M and R&R
- **Schedule L-2 (Non-regulated only)**
 - Indicate price and description of R&R for each of the 50 years of the contract
- **Schedule L-3 (Regulated and non-regulated)**
 - Indicate prices for initial capital upgrades





Volume III: Contract Documentation

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- **Signed and dated SF-33**
- **Reps and Certs (Section K)**
- **Exceptions to Terms and Conditions**
- **Utility Clause Fill-Ins (Section I.6, Regulated Only)**
- **Other required information**
- **Authorized offeror personnel and address**
- **Subcontracting plan**
- **Socioeconomic proposal**





Common Errors & Omissions

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- **See Handout**





Questions?

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Anwar Ali

Chief, Air Force Contracting Division
Utilities Privatization Program
Defense Energy Support Center
(703) 767-8453
anwar.ali@dla.mil

